

ESTABLISHING COMPETITIVE ADVANTAGE TO IMPROVE BUSINESS PERFORMANCE

(A Study in Restaurant Business in Mataram City of West Nusa Tenggara)

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ABSTRACT

The purpose of this research is to analyze the influence of market orientation and innovation on competitive advantage and business performance at restaurant in Mataram City. The problem in this research is "How establishing competitive advantage to improve business performance". Results of interview with respondents, it describes the problems faced by owner culinary business, including the decline in their business performance, lack of innovation, lack of professional labor, and the competitive challenge faced by owner of culinary business.

The population of this research is the restaurants in the year period of 2011-2015 which are registered in The Department Culture and Tourism of Mataram City. The samples of this research are restaurant in Mataram City of West Nusa Tenggara with total sample is 120 respondents. The data in this research was taken using questionnaire and interview. Then, the data was analyzed using Structural Equation Modeling (SEM-Amos).

All of the hypothesis in this research are accepted as shown by Critical Ratio (CR) $\geq \pm 1.96$ and Probability (P) < 0.05 . The analysis showed that the direct effect of innovation on business performance is higher than the effect of market orientation on business performance (0,458 compared to 0,223). Indirect effect of innovation on business performance through strategic competitive advantage is higher than the effect of market orientation on business performance through competitive advantage (0,130 compared to 0,096)

Keywords: *Market Orientation, Business Innovation, Competitive Advantage, Business Performances.*

Introduction

The development of the world business in the globalization era is now an opportunity as well as threats and challenges for business people in various sectors, due to the increasingly intense competition level. Strict competition does not only occur in large-scale business, but in small and medium-sized businesses. This is due to the growth of business actors that continue to increase from year to year.

The increasing number of business actors is a challenge for business people to try more leverage in maintaining their business in order to survive in the midst of competition. It also requires business actors to create new breakthroughs in order to survive and win the competition in an effort to improve business performance.

Hasan (2014), explains that the best competitive advantage defense of a business depends on the unique defense of resources and skills owned by the company. The position of competitive advantage that can survive is the key to its superior long-term business performance. Thus, maintaining and upgrading existing resources and existing skills will need to be maintained to achieve sustainable competitive advantage and achieve good business performance.

Increasing number of restaurant businessmen occurred in

almost all regions, especially in tourist areas such as in Lombok. Lombok is one of the islands located in West Nusa Tenggara Province and serves as the center of government. So far, Lombok is known as a halal tourist area with beautiful natural scenery such as, beaches, waterfalls, Rinjani mountain national park, and Gili-Gili, and local wisdom is still awake to be one of the mainstays of the tour. However, one that can not be separated from the benefits of tourism in this area is a culinary tour. The advantages of this area would be a great opportunity for some people who have high capital to be exploited by opening a business such as, hotels and restaurants, tour guides services, to rental vehicles / transportation.

The increase in the number of restaurant businesspeople, demanding the owner or manager of restaurant business in the City of Mataram to always understand and understand the market conditions and to know the various changes that occur in the business environment in order to grow and compete with other similar business actors. The tight competition in this business, because almost all of the restaurants in this city sell the same product or follow the existing products. Thus, to avoid it required a special strategy in dealing with competitors.

Porter (1993) defines competitors as threats. However, the

right competitor can actually strengthen, not weaken the competitive position in an industry. Porter (1993) also asserts that competitors are not only beneficial in competition, but can be more useful to a business than usual. Long-term competitive advantage is the only thing that is commonly relied upon to achieve superior performance.

The current business phenomenon encourages business people to strengthen their strategic and conceptual base that focuses on their customers and markets in order to survive and ensure sustainable business growth. Narver and Slater (1995) argue that, a business that makes market orientation an organizational culture will focus on market needs, wants, and market demands as a basis for strategy development for every business.

Literature Review And Hypothesis Development

Market Orientation

In general, large and small companies are trying to get better performance. It is known that there are two main orientations that are often adopted by the company. One is product orientation and market orientation. While product orientation focuses only on the product itself, the market orientation emphasizes business responsive to changing customer needs and desires, thus the importance of marketing role in communicating market needs in every department of the company (Kohli&Jaworski, 1990).

Narver and Slater (1990) define market orientation as the most effective and efficient organizational culture creating the behaviors necessary for superior value creation for buyers (customers) and, thereby improving sustainable superior performance for a business. While market orientation according to Luke & Ferrel, (2000) is the process of generating and providing market information for the purpose of creating superior value for customers. While Zeithaml and Parasuraman (1985) illustrate that the level of market orientation of an organization as a corporate philosophy in terms of customer satisfaction known as the concept of marketing. Subsequently recruiting Narver and Slater (1990) market orientation is an orientation concept that focuses on creating high values for customers. The market orientation as a one-dimension construct consists of three behavioral components, namely customer orientation, competitor orientation and inter-functional coordination.

Business Innovation

Innovation in general is an activity of conceptualization, as well as the idea of solving problems by bringing economic value for a business and social value for the community. So it can be said that innovation departs from something that already existed, then added value. Innovation stems from a seemingly trivial Such as listening to employee aspirations, or consumer, environmental and community complaints. Usually innovation occurs in individuals, groups or companies that possess the ability to absorb opportunities and always innovative. But ideally the company becomes an institutionalized place for people who are gathered to explore ideas- New ideas (Myers and Marquis, 2003).

There are several ways that can be done to produce innovative products according to Kotler (1987):

1. Develop new product attributes, for example:
 - a) Adaptation (other ideas or product development)
 - b) Modification (change color, movement, sound, smell, shape and likeness)
 - c) Enlarge (stronger, longer, bigger)
 - d) Minimize (leaner, lighter, smaller)
 - e) Substitution (other materials, processes, power sources)
 - f) Reordering (other patterns, other layouts, components)
 - g) Reverses (outside becomes in and vice versa)
 - h) Combinations (mixing, mixing, assortment, assemblies, joint units, usability, charm and ideas)
2. Increasing varying degrees of quality.
3. Develop product model and size (product proliferation).

Innovating is a must for business people to gain the highest competitive position in an industry, for example, developing new products, fast in customer's appetite, and responding to the changing of products becoming the current and future trend by applying technology and ideas / New ideas.

Competitive Advantage

The goal of competitive strategy is the achievement of sustainable competitive advantage by improving company performance. Competitive advantage can be achieved from implementing the achievement of the value strategy not simultaneously, but through the conditions of potential competitors (Barney, McWright and David J. Ketchen, 1991).

Sudaryanto, (2012), explains that competitive advantage factor can be said as a natural factor and competitive advantage factor is also considered as a factor that can be developed to achieve sustainable competitive advantage (SCA) in the face of global competition which is getting longer Be so tight / hard or hyper competitive. Continuous excellence is achieved when the proficiency can survive from competitors' behavior. In other words, the skills and resources underlying the competitive advantage of a business must be able to withstand the duplication of other companies (Barney, 1991).

According to Barney, there are 4 (essence) requirements of the resources and skills to be said as a resource that has competitive advantages are: (1) must be valuable, (2) rare or unique from other companies, (3) the product or service is difficult To be imitated and, (4) irreplaceable with other resources (Barney, 1991).

Business Performance

The understanding of business performance (performance) is

as a result of work or work performance. However, performance actually has a broad meaning, not only the work but, how the process of work takes place. The opinions expressed by Armstrong and Baron in Wibowo (2008), performance is the result of work that has a relationship with the strategic objectives of the organization, consumer satisfaction and, contribute to the economy. Venkatraman and Ramanujam (1986), show that the company's performance is a multidimensional construct. In this case, the company's performance consists of financial performance, business performance, and organizational performance. Financial performance is at the center of organizational effectiveness. , Is not sufficient to define overall effectiveness. Accounting based standards such as asset returns, return on sales and return on equity measure financial success. These indicators illustrate current profitability.

Measures of business performance related to markets such as market share, growth, diversification, and product development. There are two dimensions in performance that are:

- (i) indicators related to growth in existing business and,
- (ii) (ii) indicators related to future corporate position (new and diversified product development). Organizational effectiveness scores are closely related to stakeholders. Size example It is customer satisfaction, quality and social responsibility. There are two dimensions to the effectiveness measure, ie (i) indicators related to quality (product quality, employee satisfaction), and indicators related to social responsibility (environment and society).

Hypothesis

The influence of market orientation through the competitive advantage

Market orientation is important for a business that is in line with increasing global competition and changes in customer needs and business people realize that they must always be close to the market. Market orientation is an organizational culture committed to continuously creating superior value for customers. Narver and Slater (1990) define market orientation as the most effective organizational culture in creating important behaviors for the creation of superior value for buyers as well as performance in business. While Matsuno (2002) defines market orientation as a process and activity associated with the creation and satisfaction of customers by continuously assessing the needs and desires of customers. Implementation of market orientation will bring performance improvements for the company.

Some of the indicators used to measure market orientation are customer orientation, competitor orientation and market information. Customer orientation is the company's willingness to understand the needs and wants of its customers. The competitor's orientation is the company's willingness to monitor the strategies that its competitors are implementing. Market information is a prestige effort to look for information of market conditions in the industry.

H1: Market orientation has positive influence to the competitive advantage

The influence of market orientation through the business performance

Market order is an important internal influence and has been shown to have a positive relationship to business performance. The concept of market orientation applies not only to the consumer or industrial enterprise, but also to the service company. Slater and Narver (1995) examine the effect of market orientation on the performance of retail stores in America and the results support a positive relationship between the high measures of market orientation and the high level of retail store performance. In the research of Baker & Sinkula (1999) shows that market orientation is significantly related to company performance. While Han et al., (1998) states that market orientation has positive but not significant impact on firm performance. However, in his research it is stated that market orientation has a significant effect on company performance, through innovation as intervening variable.

Referring to the theoretical and empirical studies described above, the effort to improve the company's performance can be done in two ways, namely internally and externally. Particularly externally the improvement of company performance is done by using a market oriented approach of culture (market orientation), that is how to understand needs, wants and market demand. In the application of these efforts become a need to be done in optimizing business performance. Market orientation has an equally important role and can contribute to improving company performance. As disclosed by Harris and Ogbonna (2000), which proves that there is a direct relationship between market orientation and performance.

H2: Market orientation has positive influence to the business performance

The influence of business innovation through the competitive advantage

Application of innovation in a business is one option in facing competition for the sustainability of a business including the restaurant business. According to Amabile et al., (1996) Innovation is a broader concept that addresses the application of new ideas, products or processes. Innovation is also defined as a successful application of creative ideas within a company. Therefore, the company is expected to form new ideas in the face of both competitors, customers and existing markets. Meanwhile, according to Hurley & Hult (1998) innovation is the company's mechanism to adapt in a dynamic environment. Therefore companies should be able to create new thinking, new ideas that offer innovative products and services that can satisfy customers.

Innovative product development is not easy, as is the case with restaurant businesses, especially on packaging innovations and product displays that can engage customers to make purchases, in addition to their innovative power cost too much, a company in developing its innovative products

will use cost as efficiently. Probably with results as expected. Carpenter & Nakamoto (1989 in Li & Calotone, 1998), argues that the company is expected to satisfy consumer desires, by making products with superior value, so as to compete within an industry.

H3: Business innovation has positive influence to the competitive advantage.

The influence of business innovation through the business performance

Innovation is a modification or discovery of new ideas that are done for continuous product improvement to meet customer needs. Freeman (2004) explains that, innovation is an effort of a business through the use of technology and information to develop, manufacture and market new products from the industry.

The similarity of similar product display or similar company systems from competitors is a factor driving the occurrence of innovation, usually competitor products that appear without experiencing significant changes even tend to be static. The situation can be a profitable thing, because the competition that arises with the emergence of competing products can be overcome by innovating the product. In addition to product innovation, the system within the company also needs innovation. Innovation is something that can be seen as a functional advance that can take it a step ahead of competitors, if it has a surplus that is seen as an added value to consumers.

The importance of innovation is explained by previous studies such as Daniel et al. (2008), Lopez and Sanchez (2013), Jimenez and Valle (2011) who found that innovation can influence a business to achieve superior performance.

H4: Business innovation has positive influence to the business performance

The influence of competitive advantage through the business performance

Competitive advantage is expected to result in superior business performance and financial performance (earnings on investment, dividend shareholder creation) (Day & Wensley, 1988). Sources of competitive advantage of competitive advantage analysis show differences and uniqueness among competitors. Source of excellence Competing is superior skills, resources and control. Superior skills enable organizations to choose and implement strategies that will differentiate themselves from competing organizations and competitors. Skills include technical, managerial and operational capacities. For example, knowledge of what consumers want and demand can help the company in using its capabilities for customer satisfaction.

Competitive advantage is enhanced through postulated resources and posture capabilities that can be expected to require management to deliver superior performance in the market (eg. sales volume, market share, company

performance growth rate) and financial performance (eg return on investment, as well as Prosperity for the owner) (Ferdinand, 2000).

H5: Competitive advantage has positive influence to the business performance

Research Methodology

This research was conducted to find out how ways and strategies in improving business performance at restaurant business in Mataram City. Performance to be researched must be in accordance with the problems, objectives and benefits of research, then used quantitative research methods.

The population in this study are all restaurants that have been recorded in the period 2011-2015 in the Department of Revenue Mataram West Nusa Tenggara. The sample in this research is restaurant in Mataram city of West Nusa Tenggara with total of 120 respondents. Mean while, the analytical tool used in this study is SEM version of AMOS 22.0, then the results of the analysis will be more complete and in-depth, so the purpose of this study can be realized.

Discussion Of Findings

The Data Analysis

Test Normality by using criteria of critical value of χ^2 2.58 at the level of significance 0.01. Normality test results are presented in the table below.

Table 1. Result of Data Normality Testing

Variable	Min	max	ske w	c.r.	kurtosi s	c.r.
KIB4	1,000	5,000	,038	,171	-,847	-1,893
KIB3	2,000	7,000	-,297	-1,330	,013	,029
KIB2	2,000	7,000	-,272	-1,217	-,577	-1,289
KIB1	2,000	7,000	-,089	-,398	-,766	-1,713
KB5	2,000	7,000	-,190	-,852	-,416	-,931
KB4	2,000	7,000	-,361	-1,613	-,132	-,294
KB3	2,000	7,000	-,364	-1,627	-,583	-1,304
KB2	2,000	7,000	-,252	-1,125	-,266	-,594
KB1	2,000	7,000	-,293	-1,312	-,432	-,965
OP3	2,000	7,000	-,288	-1,290	,176	,394
OP2	2,000	7,000	-,227	-1,014	-,659	-1,474
OP1	2,000	7,000	-,331	-1,479	-,296	-,662
IB1	2,000	7,000	,182	,816	-,757	-1,693
IB2	2,000	7,000	-,052	-,233	-,471	-1,053
IB3	2,000	7,000	-,007	-,029	-,297	-,664
IB4	1,000	7,000	-,255	-1,142	-,103	-,230
Multivariate					7,928	1,809

Source: Primary data that is obtained, 2017

Based on the test results in Table 4:17 shows that the value of Critical Ratio (CR) for multivariate is 1.809. So it can be concluded that the data used has a normal distribution of univariate and multivariate which means that the data normal observed variable or data used normal distributed.

Outliers

According to Hair, et al. (1995), Outliers are obeservasi or

data that have unique characteristics that look very different from other data and appear in the form of extreme values, both for single or combination variables. Evaluation of univariate outliers and multivariate outliers can be explained below.

Univariate outliers

Testing whether or not univariate outliers is done by analyzing the standardized (Z-score) value of the research data used. If there is a Z-score value in the range $\geq \pm 3$, it will be categorized as univariate outliers. The test data to see the presence or absence of outliers is presented in the table below.

Univariate outliers test results shows that there is no indicator that has a range > 3 , so it can be concluded that there is no data that is univariate outliers.

Multivariate Outliers

Although the data in the analysis showed no outliers at the univariate level, the observations could be multivariate outliers when combined. The distance test of mahalanobis (mahalanobis distance) is used to see the existence of outliers multivariate. To calculate the distance mahalanobis based on the value of chi square on the degrees of freedom 16 (number of indicators) at the level of $P < 0.001$ is $\chi^2 (16, 0001) = 39.25$ (based on distribution table χ^2). While the results of data processing can be seen that the maximum distance Mahalanobis is 36.340. The following results mahalanobis distance output from AMOS 22.0 because mahalanobis value is not above 39.25 it can be concluded that there is no outliers in the data.

Multicollinearity and Singularity Evaluation

To find out whether there is multicollinearity and singularity in a combination of variables it is necessary to observe the determinant of a really small covariant matrix to indicate the presence of multicollinearity and singularity (Tabachnick & Fidell, 1998).

Indications of multicollinearity and singularity are characterized by the determinant value of the sample covariance matrix which is really small or close to zero. The result of determinant of sample covariance matrix in this research is 0.83.

Validity and Reliability

Validity test aims to determine whether feasible or not the question. The decision criterion is to compare Corrected Item-Total Correlation value compared to r table value ($n = 120$) with significance level (α) 0,05ie 0,178. If the value of Corrected Item-Total Correlation is greater than r table then the indicator is feasible to use and vice versa (Ghozali, 2005). The next step is to test the reliability, reliability test aims to see the problem of accuracy of a data. Constructs or variables are said to be reliable when greater than 0.60 (Ghozali, 2005). Based on the results of calculations through SPSS 16.0 can be presented testing the validity and reliability in the following table.

Table 2. Validity and Reliability

<u>Latent Variabale</u>	<u>Reliability (Cronbach'a)</u>	<u>Item (Indikator)</u>	<u>Corrected Item- Total Correlation</u>
Market Orientation	0,812	OP1	0,690
		OP2	0,644
		OP3	0,663
Business Innovation	0,857	IB1	0,679
		IB2	0,763
		IB3	0,723
		IB4	0,656
Competitive Advantage	0,812	KB1	0,675
		KB2	0,580
		KB3	0,573
		KB4	0,551
		KB5	0,624
Business Performance	0,816	KIB1	0,666
		KIB2	0,648
		KIB3	0,693
		KIB4	0,573

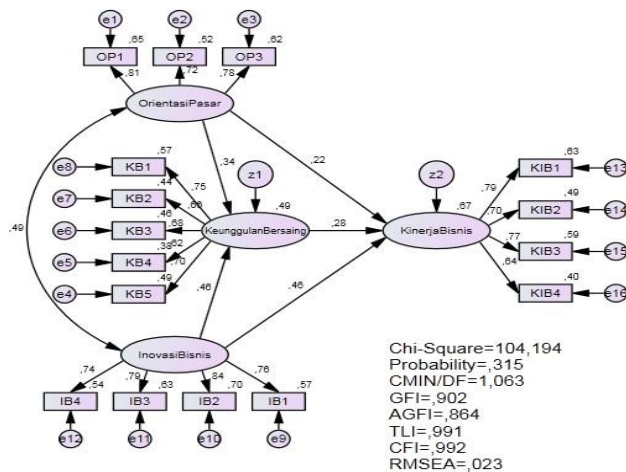
Source: Primary data that is obtained, 2017

Based on table 4.11 it can be seen that all indicators (observed) is valid, it is marked by the Corrected Item-Total Correlation value greater than $> r$ table (0,178). This proof shows that all indicators (observed) deserve to be used as an indicator of the constructs (latent variables). Alpha coefficient (Cronbachs Alpha) has a value above 0.60 which means that all variables used in this study in the form of market orientation variables, business innovation, competitive advantage, and business performance is reliable or have high reliability, so have precision to be made Construct variables in a study.

Hypothesis

Hypothesis Model

The next analysis is the analysis of Structural Equation Modeling (SEM) in full model. Based on the results of SEM analysis of full model with the help of AMOS Version 22.0, then the resulting output can be presented in the following figure and table.



Source: Primary data that is obtained, 2017

Diagram 4.1 Full Model of SEM-Amos Analysis

Tabel 3. Full Model of SEM-Amos Test Result

Goodness of fit index	Cut off value	Result	Model Evaluation
Chi-Square (df = 98)	<124.342	104,194	fit
Probability	$\geq 0,05$	0,315	fit
CMIN/DF	$\leq 2,00$	1,063	fit
GFI	$\geq 0,90$	0,902	fit
AGFI	$\geq 0,90$	0,864	Marginal
TLI	$\geq 0,95$	0,991	Fit
CFI	$\geq 0,95$	0,992	Fit
RMSEA	$\leq 0,08$	0,023	Fit

Source: Primary data that is obtained, 2017

Based on Table 4:16 above the parameters of goodness of fit index, only AGFI parameters whose value is below cut off value, but not too far from that required. Overall evaluation of the SEM Full Model hypothesis index can be considered for further analysis.

Research Findings

The influence of market orientation through the competitive advantage

Based on the result of SEM-Amos analysis, the test of the magnitude of the direct influence of market orientation influence on competitive advantage resulted in Critical Ratio (CR) value of 2,929 and probability value equal to 0,003. So with the significance value (0.003) less than (<0.05), indicating that the variables of market orientation proved to have a significant effect on competitive advantage. The magnitude of the coefficient of direct influence between market orientation on competitive advantage is positive (0.273). This indicates that there is a positive influence of market orientation variables on competitive advantage. So it can be concluded that, the higher the market orientation, the higher the competitive advantage.

The influence of business innovation through the competitive advantage

The result of SEM analysis, testing of the influence of business innovation to competitive advantage resulted in Critical Ratio (CR) value 3,863 and probability value 0.000. So with the significance value (0.000) less than (<0.05), indicating that the variables of business innovation have a significant effect on competitive advantage. The magnitude of the coefficient of direct influence between business innovation and competitive advantage is positive (0.358). This explains that there is a positive influence of business innovation on competitive advantage. So it can be concluded that, the higher the business innovation the higher the level of competitive advantage.

The influence of market orientation through the business performance

Based on the result of SEM analysis, testing of the influence of market orientation on business performance resulted in Critical Ratio (CR) value of 2.051 and probability value of 0.040. So with the significance value (0.040) less than (<0.05), indicating that the variables of market orientation have a significant effect on business performance. The magnitude of the coefficient of direct influence between market orientation and business performance is positive (0.209). This explains that there is a positive effect of market orientation on business performance. So it can be concluded that, the higher the market orientation, the higher the level of business performance.

The influence of business innovation through the business performance

The result of SEM analysis, testing of the influence of business innovation on business performance yields Critical Ratio (CR) value 3,500 and probability value is 0.000. So with the significance value (0.000) less than (<0.05), indicating that the variables of business innovation have a significant effect on business performance. The magnitude of the coefficient of direct influence between business innovation and business performance is positive (0.415). This explains that there is a positive influence of business innovation on business performance. So it can be concluded that, the higher the business innovation, the higher the level of business performance.

The influence of competitive advantage through the business performance

The result of SEM analysis, testing of the influence of competitive advantage to business performance resulted Critical Ratio (CR) value of 2,177 and probability value equal to 0,030. So with the value of significance (0.030) less than (<0.05), indicating that the variables of competitive advantage significantly affect business performance. The magnitude of the coefficient of direct influence between competitive advantage and business performance is positive (0.329). This explains that there is a positive influence of competitive advantage on business performance. So it can be concluded that, the higher the competitive advantage, the

higher the level of business performance.

Conclusion

The results of this study found that market orientation and innovation can significantly affect competitive advantage. Similarly, competitive advantage has a positive and significant impact on business performance.

Based on the result of the standard coefficient of SEM with the help of AMOS 22.0, it shows that the direct effect of market orientation on business performance is 0,223 with Critical Ratio (CR) value is 2,051 and Probability (P) value is 0,040. The direct effect of market orientation on competitive advantage was 0.343, with Critical Ratio (CR) of 2.929 and Probability (P) value of 0.003. Then influence of competitive advantage to business performance is equal to 0,281 with value of Critical Ratio (CR) equal to 3,177 and Probability (P) value equal to 0,030.

The direct influence of business innovation on business performance is 0.458, then from hypothesis test result in 4:19 table shows that the value of Critical Ratio (CR) is 3,500 and Probability (P) value is 0.000. The direct impact of business innovation on competitive advantage is 0.465, with Critical Ratio (CR) of 3.863 and Probability (P) value of 0.000. Then influence of competitive advantage to business performance is equal to 0,281 with value of Critical Ratio (CR) equal to 3,177 and Probability (P) value equal to 0,030.

These conditions provide a signal to business people to improve business performance by improving market orientation, business innovation, and competitive advantage. Because if the role of market orientation and business innovation increases, it will increase competitive advantage, this will certainly improve business performance.

Limitation And Recommendations For Future Research

This research has several limitations. It only focused on restaurants in Mataram City and limited to the number of samples. Future research could use various data collection method to increase the response rate. This investigation only focused on innovation strategy, market orientation and competitive advantage issues and its effect on business performance. Indisputably, other factors may effect the business performance. However, it is believed that present study has helped to resolve some discrepancies in variables is use in this research. Some future research agenda that can be taken from this research, among others, as follows:

1. Further research needs to add the sample number of respondents. Thus, by increasing the number of samples is expected to get more information that varies.
2. Subsequent research is expected to add the number of informants for example, from the relevant agencies and suppliers who become providers of raw materials.

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